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August 11, 1997

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**VIA HAND DELIVERY**The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, N.W., Rm. 814
Washington, D.C. 20554Re: Comment on Broadband C and F Block Rules and Installment Payment Issues
WT Docket No. 97-82; DA 97-679**Ex Parte Presentation**

Dear Chairman Hundt:

This letter addresses issues raised in the above-referenced proceeding that are critical to the survival of C Block licensees. As demonstrated by the comments, C Block licensees face unique barriers to obtaining capital sufficient to build and operate systems capable of providing competitive service in the marketplace. The result is the threatened default of many C Block licensees -- the consequences of which can only be avoided by swift and definitive action by the Federal Communications Commission ("FCC").

The FCC has been presented with varying options to address problems in the C Block. C Block licensees face significant financial distress, caused principally by the restrictive C Block ownership rules and volatile market conditions. Only a few proposals in the docket offer the relief necessary to preserve the viability of licenses issued in the C Block. Chief among these options is the establishment of an "Amnesty Period." Under this proposal, C Block licensees would be permitted to return all or some of their C Block licenses, within a specified filing window, without threat of the imposition of substantial default penalties. For the licenses that are returned, the Commission would return all payments made by the licensees to date, including all up-front payments, down payments and installment payments. The licensees' indebtedness also would be forgiven.

The "Amnesty" proposal offers C Block licensees the ability to maintain the licenses that they can afford, while permitting the remaining licenses to be placed in the hands of entities

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capable of building out communications networks that can immediately utilize these licenses to provide service to the public.¹ Adoption of this proposal will: (1) preserve investments already made in C Block licenses; (2) ensure productive use of spectrum; and (3) avoid the possibility of C Block licenses being embroiled in bankruptcy proceedings that prevent their use for years to come. Significantly, even parties that have opposed a modification of C Block installment payment plans have recognized the value of establishing an amnesty program and thereby granting new entities the opportunity to provide service to the public.²

R&S PCS offers the following suggestion for an Amnesty filing framework: The FCC could give notice of the initiation of the Amnesty Period, and thereafter provide 90 days during which C Block licensees could negotiate with potential buyers for the sale of their licenses, or prepare for the return of the licenses to the FCC for re-auction. During this period, the FCC would forbear from imposing unjust enrichment penalties on C Block licensees so long as the FCC approves of the transfer and the buyers are otherwise qualified to hold FCC licenses, regardless of whether they are designated entities. If a sale or partial sale of licenses *is* successful, the C Block licensee would forward payment to the FCC toward the outstanding debt attributable to such licenses. After such a payment is received by the FCC, current installment debt obligations would be extinguished for the original C Block licensee. If a sale or partial sale of licenses *is not* successful, the C Block licensee would return its licenses to the FCC. Debt forgiveness and a refund of the prior payments would be provided by the FCC.

In addition to implementing this Amnesty Period, it also is critical that the Commission concurrently eliminate the restrictive ownership rules that reduce the marketability of C Block licenses and deter investments by, and partnerships with, third parties. If the FCC intends the C Block to be a competitive alternative to other wireless PCS or CMRS operations, it must relieve C Block licensees from rules that discourage third-party investment and restrict the ability of C Block licensees to raise the capital necessary to compete.³ These limitations include

¹ See generally Comments filed in WT Docket No. 97-82 on June 24, 1997 by Fortunet Communications, L.P.; see also Reply Comments filed in WT Docket No. 97-82 on July 7, 1997 by Horizon Personal Communications.

² See e.g. Comments of Stephen Hillard, Cook Inlet Communications, Inc., June 30, 1997, Public Forum on "Broadband PCS C and F Block Installment Payment Issues" ("Public Forum"); Comments of Shelly Spencer, AirGate Communications, Inc., Public Forum, June 30, 1997.

³ See generally Comments filed on June 24, 1997 in WT Docket No. 97-82 by Bear Stearns Investment Bank, MCI Communications Corporation, BIA Capital Corporation Investment Bank, Dewey Ballantine, General Wireless, Inc., Southeast Telephone Limited Partnership; see also Reply Comments filed on July 7, 1997 in WT Docket No. 97-82 by Clearcom L.P., OnQue Communications, Inc.

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inflexible transfer restrictions, restrictions on the level of third-party investment/ownership, and unrealistic financial caps that do not reflect the capital-intensive nature of the PCS business. Relieving the C Block of these restrictions will ensure that the licenses are placed in the hands of entities financially capable of providing cost-effective service in an increasingly competitive wireless marketplace.

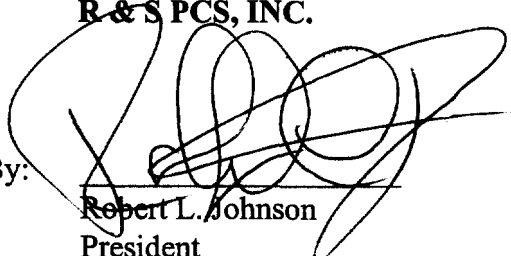
As you recently recognized, if the FCC is to depend on competitive forces to discipline the wireless marketplace, it also must assume the responsibility of reacting to the market in a commercially reasonable manner. See "FCC Auction Designed to Favor Little Guys Threatens to Sink Some," Wall Street Journal at A5 (August 1, 1997) (quoting Reed Hundt: "It would be easy to do nothing, but that's not commercially reasonable, that's not what lenders do, and that's not good communications policy."). This responsibility requires that the FCC modify or waive its rules to preserve investments already made and modify the terms and conditions of the C Block licenses to ensure that the public interest is served. Implementation of an amnesty program, as described above, and modification of certain restrictive aspects of the FCC's C Block rules will constitute a meaningful step toward ensuring that the competitive goals of the C Block are attained.

In conclusion, I urge you and your fellow Commissioners to recognize the significant actions required to avert market disaster in the C Block. I believe that the rule changes proposed herein will induce additional capital flows into the C Block or allow transactions to better allocate licenses among willing licensees.

Respectfully submitted,

R & S PCS, INC.

By:


Robert L. Johnson
President

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